

## Message Text

SECRET

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NEA-07 EUR-08 SSO-00 NSCE-00  
INRE-00 NSC-05 INR-05 CIAE-00 ARA-06 EA-06 SP-02 L-01  
PRS-01 DODE-00 PM-03 TRSE-00 OMB-01 /063 W  
-----131157Z 028739 /10

O P 131117Z JAN 77

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC IMMEDIATE 5479

INFO AMEMBASSY JIDDA IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

USINT BAGHDAD PRIORITY

AMEMBASSY DOHA PRIORITY

AMEMBASSY CARACAS PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY LAGOS PRIORITY

AMEMBASSY LIBREVILLE PRIORITY

AMEMBASSY MANAMA PRIORITY

AMEMBASSY MUSCAT PRIORITY

AMEMBASSY QUITO PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBASSY TRIPOLI PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY VIENNA PRIORITY

S E C R E T ABU DHABI 0155

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJ: UTAYBA VIEWS ON UAE PRODUCTION PLANS

REF: (A) STATE 006264 (NOTAL) (B) ABU DHABI 0133

(C) ABU DHABI 0117

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1. SUMMARY: UAE OIL MINISTER UTAYBA ON JANUARY 13  
TOLD ME THAT NO UAEG DECISION HAS YET BEEN MADE ABOUT INCREASING  
PRE-DOHA PLANNED 1977 PRODUCTION LEVELS, CONFIRMING EARLIER  
EMBASSY REPORTING. MEDIA REPORTS ABOUT GREATLY INCREASED  
UAE PRODUCTION DERIVED FROM HIS RESPONSE TO HYPOTHETICAL  
QUESTION ABOUT THE MAXIMUM POSSIBLE INCREASE COULD BE IF

UAEG SO DECIDED. UTAYBA IS MEETING WITH YAMANI IN ABU DHABI LATER IN DAY TO DISCUSS UNRESOLVED STRATEGY QUESTIONS, INCLUDING HOW TO HANDLE OTHER OPEC COUNTRIES ON PRICING (INCLUDING DIFFERENTIALS) AND PRODUCTIONS. END SUMMARY.

2. SINCE RECEIPT OF REF (A) INQUIRING ABOUT UAE OIL PRODUCTION PLANS, WHICH CROSSED WITH REF (B), I HAD OPPORTUNITY TO MEET WITH OIL MINISTER UTAYBA MORNING JANUARY 13 TO TALK ABOUT LATEST MEDIA REPORT THAT UAE WANTS INCREASE OIL PRODUCTION BY ONE MILLION BPD. MEETING OCCURRED JUST PRIOR TO VISIT OF OIL MINISTER YAMANI WHO WAS ARRIVING IN ABU DHABI AT NOON TO PURSUE DISCUSSIONS BOTH MINISTER HAD HAD IN LONDON.

3. UTAYBA CONFIRMED EMBASSY'S EARLIER REPORTING THAT NO DECISION HAS YET BEEN MADE BY UAEG WHETHER TO INCREASE PRODUCTION LEVELS ABOVE ALLOWABLES PLANNED FOR 1977 AND WHICH HAD BEEN DETERMINED PRIOR TO DOHA CONFERENCE. AT THIS TIME, HE SAID UAE PRODUCTION WAS JUST OVER 2 MILLION BPD WITH ABU DHABI EMIRATE ALONE PRODUCING ABOUT 1.7 MILLION BPD. HE ANTICIPATED THAT WITH ALLOWABLES FOR ADMA OFFSHORE AND ADPC ON SHORE PRODUCTION PLUS INCREASED PRODUCTION IN NEW WELLS, UAE PRODUCTION WOULD CERTAINLY REACH AND PROBABLY EXCEED 2.2 MILLION BPD BY DECEMBER 1977 OR AN INCREASE OF AT LEAST 10 PERCENT.

4. UTAYBA SAID THAT VARIOUS MEDIA REPORTS ABOUT UAE INCREASING OIL PRODUCTION HAD ORIGINATED FROM A PRESS INTERVIEW HE HAD GIVEN BY TELEPHONE FROM LONDON TO DAR AL SAYYAD NEWSPAPER IN BEIRUT (LOCAL PRESS CARRIES REPORT AS COMING FROM LEBANESE SECRET

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DAILY AL ANWAR). HE HAD BEEN ASKED HYPOTHETICAL QUESTION OF HOW MUCH ABU DHABI COULD INCREASE ITS PRODUCTION. HE HAD SAID THAT ABU DHABI (EMIRATE ONLY) COULD INCREASE ITS PRODUCTION FROM 1.5 MILLION BPD TO 2.25 MILLION BPD BY END OF 1977 AND WITH FURTHER INVESTMENT, THIS PRODUCTION LEVEL COULD FURTHER BE INCREASED TO 3 MILLION BPD BY END OF 1978 OR EARLY 1979. THIS HIGHER PRODUCTION LEVEL WOULD DEPEND ON EXTENT OF INVESTMENT REQUIRED TO DEVELOP UPPER STRATA OF ZAKUM OFFSHORE FIELD, WHICH POTENTIALLY IS UAE'S LARGEST OIL FIELD.

5. UTAYBA SAID HE HAD MADE THIS STATEMENT TO REMIND OTHER OIL EXPORTERS THAT UAE CAN EXPAND ITS PRODUCTION FAIRLY SIGNIFICANTLY IF IT WANTS. WHILE HE COULD NOT COMMIT THE UAEG TO ANY HIGHER PRODUCTION LEVEL, HE SAID THIS WOULD BE ONLY OF SUBJECTS OF DISCUSSION WITH YAMANI WHICH HE DESCRIBED AS A FURTHER STRATEGY SESSION ON HOW TO DEAL WITH OTHER OPEC COUNTRIES IN PRICING AND PRODUCTION.

6. DURING MEETING, I TOOK OCCASION TO ASK UTAYBA ABOUT DIFFERENTIALS FOR UAE CRUDES (SEE REF C). UTAYBA SAID THAT DECISION HAD BEEN PUT OFF ON DIFFERENTIALS UNTIL HE COULD CONSULT WITH YAMANI. HE STATED THAT CONTRARY TO INSINUATIONS HE HAD SEEN IN THE PRESS, THE UAE WAS NOT GOING TO PLAY THE DIFFERENTIALS GAME TO ITS ADVANTAGE AND PASS ON TO CONSUMERS OIL AT PRICES HIGHER THAN 5 PERCENT. TO MAKE CERTAIN THAT OIL COMPANIES DID NOT TAKE UNFAIR ADVANTAGE OF TWO TIER PRICE SITUATION, HE SAID THAT UAE HAD ASKED OIL COMPANIES FOR WRITTEN ASSURANCES THAT PRICES SET BY UAE NOT EXCEED 5 PERCENT AND THAT THE COMPANIES SUBMIT AUDITED REPORTS CONCERNING ALL CRUDE THAT IS MARKETED WITH UNDERSTANDING THAT UAEG AUDITORS WOULD BE AUTHORIZED TO DOUBLE CHECK THESE REPORTS. UTAYBA SAID OIL COMPANIES HAD AGREED TO THESE REQUIREMENTS DURING HIS DISCUSSIONS IN LONDON.

7. I ALSO ASKED UTAYBA HOW UAE WOULD HANDLE PROBLEM OF PRICES FOR  
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AL BUNDQU FIELD WHICH IT SHARES WITH QATAR. HE SMILED BY SAYING THAT PRODUCTION FROM THIS FIELD (OPERATED BY ADMA) WAS SMALL AND THAT QATAR AND UAE HAVE ARRANGEMENT TO SPLIT PROFITS EVENLY. IT WAS POSSIBLE THAT IN PROFITS SPLIT FOR THIS FIELD, UAE MIGHT RECEIVE A LITTLE MORE THAN FIVE PERCENT ADDITIONAL REVENUE BUT HE DID NOT CONSIDER THIS A VIOLATION OF UAE PLEDGE TO ADHER TO NO MORE THAN 5 PERCENT INCREASE IN OIL PRICES.  
DICKMAN

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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009